

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Federal Universal Service Support Mechanisms Fund Size Quarterly
Contribution Base for the First Quarter 2002

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November 30, 2001

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FEDERAL UNIVERSAL SERVICE SUPPORT MECHANISMS
FUND SIZE QUARTERLY CONTRIBUTION BASE FOR THE
FIRST QUARTER 2002

INTRODUCTION

The Universal Service Administrative Company (USAC) is the not-for-profit corporation responsible for administering the federal universal service support mechanisms: High Cost, Low Income, Rural Health Care, and Schools and Libraries Universal Service Support Mechanisms.¹ USAC also performs the billing, collection, and disbursement functions for all of these universal service support mechanisms.

In this filing, USAC submits the contribution base amount to be used for the first quarter of calendar year 2002 (1Q2002), in accordance with Section 54.709 of the Federal Communications Commission's (FCC or Commission) rules.² Consistent with FCC requirements, USAC filed the Federal Universal Service Support Mechanisms fund size and administrative cost projections for 1Q2002 on November 2, 2001.

Upon approval of the universal service support mechanisms' quarterly funding requirements, projected administrative expenses, and contribution base, the Commission will establish a quarterly contribution factor. USAC will then bill contributors on a monthly basis for their individual

¹ See Changes to the Board of Directors of the National Exchange Carrier Association, Inc., CC Docket No. 97-21, Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *Third Report and Order in CC Docket No. 97-21, Fourth Order on Reconsideration in CC Docket No. 97-21 and Eighth Order on Reconsideration in CC Docket No. 96-45*, FCC 98-306, 63 Fed. Reg. 70564 (rel. Dec. 21, 1998); Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Low-Volume Long Distance Users, Federal-State Joint Board on Universal Service, CC Docket No. 96-262, 94-1, 99-249, 96-45, *Sixth Report and Order in CC Docket Nos. 96-262 and 94-1, Report and Order in CC Docket No. 99-249, Eleventh Report And Order in CC Docket No. 96-45*, FCC 00-103 (rel. May 31, 2000) ("*CALLS Order*"); Federal-State Joint Board on Universal Service, Promoting Deployment and Subscribership in Unserved and Underserved Areas, Including Tribal and Insular Areas, CC Docket No. 96-45, *Twelfth Report and Order and Further Notice of Proposed Rulemaking*, FCC 00-208 (rel. June 8, 2000) ("*Tribal Lands Order*"); Federal-State Joint Board on Universal Service, Petition for Reconsideration filed by AT&T, CC Docket No. 96-45, *Report and Order and Order on Reconsideration*, FCC 01-85 (March 14, 2001) ("*Contribution Methodology Order*").

obligations based on the approved contribution factor. USAC will collect and distribute the funds to eligible recipients based on the schedules included in the November 2, 2001, filing.

CONTRIBUTION BASE

USAC currently collects quarterly interstate and international revenue information from carriers on the FCC Form 499-Q³ four times each year and submits aggregate information on a quarterly basis to the FCC (March 2, June 1, September 1, and December 2). Based on these filings, the FCC will set contribution factors for each upcoming quarter.

Carriers will continue to file Form 499-A in April of each year to report their annual revenues from the prior year. USAC will use the revenue data provided by carriers in the FCC Form 499-A to perform annual true-ups to the quarterly revenue data submitted by carriers on FCC Form 499-Q during the prior calendar year.⁴ As necessary, USAC will then refund or collect from carriers any over-payments or under-payments. If the combined quarterly revenues reported by a carrier (on its Form 499-Qs) are greater than those reported on its annual revenue report (Form 499-A), then a refund will be provided to the carrier based on an average of the two lowest contribution factors for the year. If the combined quarterly revenues reported by a carrier are less than those reported on its annual revenue report (Form 499-A), then USAC shall collect the difference from the carrier using an average of the two highest contribution factors from that year.⁵

Carriers filed the Form 499-Q with third quarter 2001 revenue information on November 1, 2001. By December 2, 2001,⁶ USAC is required to file revenue data based on the November carrier

² 47 C.F.R. § 54.709(a)(3); *see also Contribution Methodology Order* ¶¶ 10-13.

³ The Form 499-Q includes a box for each of the quarterly filing submissions. Carriers check the appropriate box to indicate the quarter for which revenue information is being reported.

⁴ In addition, carriers will be allowed an opportunity to file a revised Form 499-Q prior to the filing date of the next Form 499.

⁵ *Contribution Methodology Order* ¶ 12.

⁶ *See* 47 C.F.R. § 54.709.

filings. Using this revenue data and the projected program demand data supplied by USAC in its November 2, 2001 quarterly report to the FCC, the Commission will calculate a contribution factor for 1Q2002.⁷

Form due dates, revenue data reported, and invoicing time period for the next year are summarized below:

FCC Form 499-Q Due Date:	Revenue Reported on Form:	Utilized to meet USF contributions:
February 1, 2002	4Q: October – December 2001	April – June 2002
April 1, 2002	Annual: January – December 2001	July 2002 True-up
May 1, 2002	1Q: January – March 2002	July – September 2002
August 1, 2002	2Q: April – June 2002	October – December 2002
November 1, 2002	3Q: July – September 2002	January – March 2003

Telecommunications providers qualifying for the *de minimis* exemption from contribution requirements do not need to complete the Form 499-Q.⁸ However, for providers required to contribute to the universal service support mechanisms, the Form 499-Q must be submitted by the beginning of the second month in each quarter.

THIRD QUARTER 2001 REVENUE BASE TO BE USED FOR FIRST QUARTER 2002 CONTRIBUTIONS

Approximately 5,500 FCC Forms 499-Q were distributed to carriers in early October 2001. Interstate telecommunications service providers were required to complete this form, reporting July

⁷ 47 C.F.R. § 54.709(a). USAC is required to file projected program demand data at least 60 days prior to the start of a quarter and total contribution base revenue data at least 30 days prior to the start of a quarter.

⁸ See 47 C.F.R. § 54.708.

– September 2001 revenue information, and return it by November 1, 2001. USAC has received complete revenue data from 2,778 (2,193 contributors, 585 *de minimis*) carriers.⁹

The funding base for 1Q2002 is developed from the revenues for third quarter 2001 that were reported by carriers in November 2001. As of November 27, 2001, USAC has yet to receive information from 203 telecommunications service providers that had previously submitted information to USAC. For the FCC’s review of the 1Q2002 funding base for the support mechanisms, USAC includes estimated revenues based on prior submissions for those carriers that failed to submit a Form 499-Q.¹⁰ The total interstate and international end-user revenue base to be used in determining the contribution factor for the Universal Service Support Mechanisms for 1Q2002 is \$20,450.292 million.

The Commission has requested that, along with the funding base for 1Q2002, USAC submit information on what the funding base would be if the 8% international revenue threshold had not been adopted. As many of the carriers that provide information about their international revenues on the 499-A are *de minimis*, they will not file the 499-Q. USAC is thus not able to determine the contribution base had the international revenues for those companies been included (i.e., where interstate revenue of all of the entities in a corporation are less than 8% of its total interstate and international revenue). USAC will only be able to provide this information on an annual basis going forward.

Appendix M5 provides a list of companies that have filed the November 2, 2001 Form 499Q data collection as of November 27, 2001.

⁹ Approximately 2,417 carriers identified themselves as *de minimis* on the April 2, 2001 Form 499-A, those carriers are not included in the revenue base calculation. The USAC Board of Directors adopted a late filing penalty, consistent with 47 C.F.R. § 54.713, at its October 1998 meeting and ratified at its October 26, 1999, meeting to be applicable to the FCC Form 499-Q and 499-A data collections. Companies not submitting their FCC Form 499-Q or 499-A by the due date are subject to a late filing penalty calculated at a rate of .005 percent applied to their total contribution base revenue with a minimum penalty of \$100 and a maximum penalty of \$5,000. This penalty was effective beginning with the March 1, 1999, FCC Form 457 data collection. Through March 31, 2001, USAC has assessed \$314,749.36 in late filing penalties.

CONCLUSION

At its October 23, 2001, meeting, USAC's Board of Directors approved a resolution authorizing the 1Q2002 contribution base requirement described herein.

Respectfully submitted,

UNIVERSAL SERVICE
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November 30, 2002

¹⁰ 47 C.F.R. § 54.709(d).